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The spot resin markets were extremely active, a high volume of transacted material made up for the past couple weeks which were frustratingly slow. Domestic PE railcar availability improved, resellers were also more agreeable to turn their warehoused inventory as new cheaper stocks were arriving. While domestic PP railcars remain scarce, an increasing number of suppliers are offering their imported PP into the market.

Spot demand was better too; aside from normal order flow from typical non-contract buyers, some urgent requirements arose due to railcars that were late to ship. The Crude complex was stronger amid heightened volatility; NGL and monomer markets were also mostly higher. Price increases for both PE and PP are again back in play.

**Polyethylene** trading was busy – buyers and sellers came to transact and deal completion was much easier than in recent weeks. While domestic offgrade prices continued to slide, prime material in Houston was stronger, lifting commodity grade PE prices by \$.005/lb and less liquid grades by \$.01/lb. Houston warehouses continued to be jammed with resin and long lines of railcars are still to be packaged, creating logistics issues. International resin prices are firming, which will encourage export shipments and keep the pipeline moving.

Most producers reduced February PE contracts by \$.02/lb, bringing the average Jan/Feb relief to \$.05/lb. The flat prices during the 4<sup>th</sup> quarter were sandwiched in between as the previous back-to-back price decrease totaling \$.09/lb was Aug/Sep 2015. Producers have all issued a \$.05/lb price increase for March, looking to regain the nickel lost the past 2 months. With market momentum still downward, we do not see immediate implementation as likely, but the nomination could help put a halt to the price erosion. There is a fairly heavy cracker turnaround and resin reactor maintenance season ahead, so there is still a chance to see the PE market reverse after a period of consolidating calm. We will look to spot pricing as a leading indicator.

There was a flurry of Polyethylene railcars offered into the domestic market, both Generic Prime and Offgrade. The prime cars were generally reseller controlled, having been purchased earlier in the month, and still required late month disposition. We surmise that this availability is an indication of disappointing demand over the last couple weeks. There were also fresh Prime and offgrade cars available from producers and with a price increase nominated for March, it seemed like an end of the month purge to lighten upstream resin supplies and tighten availability in the beginning of the month ahead.

**Polypropylene** trading was better, numerous transactions were completed with volumes skewed towards Copolymer rather than Homopolymer. With demand still reasonably strong and prime supplies tight, offgrade material which has been discounted became more compelling and prices firmed at least a penny this past week.

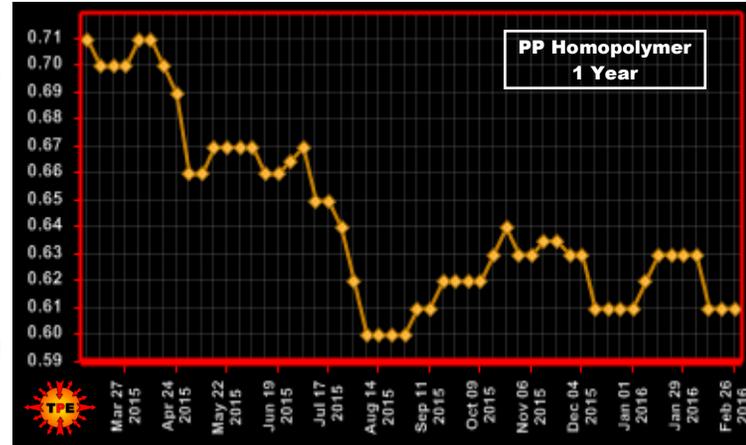
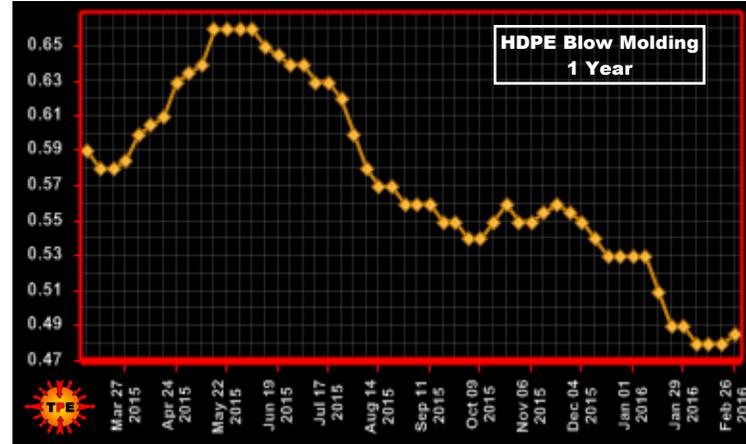
While there is variation across accounts, producers have largely implemented their \$.06/lb margin enhancing increase during Jan/Feb. Since PGP contracts fell \$.02/lb during the same period, the net PP increase becomes \$.04/lb. There are likely some processors yet to take the full price hike, so we expect another increase to soon be issued to help secure any outstanding balances.

As overall domestic supplies have been limited for more than a year, spot demand is more likely met with packaged resin as opposed to railcars. In this environment, matching buyers and sellers with the right material, in an optimal location and at a workable price is often challenging. As PP processors become more accustomed to packaged material, the ever-increasing flow of imported material will aid the pool of acceptable supply.

Disclaimer: The information and data in this report is gathered from exchange observations as well as interactions with producers, distributors, brokers and processors. These are considered reliable. The accuracy and completeness of this information is not guaranteed. Any decision to purchase or sell as a result of the opinions expressed in this report will be the full responsibility of the person authorizing such a transaction. Our market updates are compiled with integrity and we hope that you find them of value. Chart values reflect our asking prices of generic prime railcars delivered in USA.

## Market Update — February 26th, 2016

Resin For Sale 17,757,012 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	3,205,520	\$ 0.470	\$ 0.530	\$ 0.465	\$ 0.505
LDPE - Film	2,489,312	\$ 0.490	\$ 0.570	\$ 0.495	\$ 0.535
LLDPE - Inj	2,395,508	\$ 0.510	\$ 0.570	\$ 0.490	\$ 0.530
HDPE - Blow Mold	2,249,564	\$ 0.430	\$ 0.540	\$ 0.440	\$ 0.480
HDPE - Inj	1,772,024	\$ 0.410	\$ 0.550	\$ 0.460	\$ 0.500
LDPE - Inj	1,632,484	\$ 0.510	\$ 0.595	\$ 0.500	\$ 0.540
PP Homo - Inj	1,515,932	\$ 0.535	\$ 0.620	\$ 0.570	\$ 0.610
HMWPE - Film	1,292,300	\$ 0.485	\$ 0.510	\$ 0.455	\$ 0.495
PP Copo - Inj	1,204,368	\$ 0.565	\$ 0.710	\$ 0.590	\$ 0.630



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